Decline in Value of Rupee

121. MISS SAROJ KHAPARDE: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that recently the rupee value has suffered a disastrous decline against US dollar and is facing prospects of further decline;

(b) if so, the details thereof during the last ten months month-wise showing the actual status of rupee value against US dallar and the reasons for such a decline; and

(c) the steps Government have taken to stabilise the rupee value?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (DR. DEBI PROSAD PAL)f(sr) and (b) The monthly average exchange rate of the rupee against the US dollar for the months of April 95 to January 96 are as under:

Month	Rs. per US
April, 1995	31.4132
May, 1995	31.4185
June, 1995	31.4017
July, 1995	31.3789
August, 1995	31.5808
September, 1995	33.1752
October, 1995	34.5372
November, 1995	34.7405
December, 1995	34.9568
January, 1996	35.7380

The exchange rate of the rupee is market determined. The depreciation of The rupee since September 1995 reflects a market correction for the real appreciation in the external value of the rupee that had taken place since 1993-94 due to the inflation differential between India and the major trading partners. There was, however, excessive volatility in the exchange rate in recent periods. The rupee rate at one'.point of time on 6.2.1996 touched an all time low of about Rs. 38.0 per US dollar because ot speculative factors, but the rate recovered to Rs. 36.56 per US dollar on 23.2.1996 following some strong measures taken by the RBI on 7.2.1996 to counter speculation.

(c) The Government and the Reserve Bank of India (RBI) have taken a scries of measures in the recent periods to impact stability to the foreign exchange market. With a view to making nonresident deposits more attractive, the interest rate on Non-Resident (External) Rupee term deposits for maturities of 6 months and more has been raised and Cash Reserve Ratio requirements for non-resident deposits have been terminated/relaxed. The requirements in regard to the issue of GDR/FRNs/FCCBs, remittances into India of these proceeds and their utilisation have been relaxed.

Effective from February 8, 1996, the scheme of Post-Shipment Export Credit denominated in US dollars has been terminated as this scheme was an anomaly under the present structure and created serious market distortions; the interest rate on Post-Shipment Export Credit in rupees over 90 days has been freed with a view to encourage faster realisation of export proceeds; and with a view to discourage the excessive use of bank credit for import finance, the interest rate surcharge on import finance has been raised to 25 percent. Since the announcement of these measures, there has been stability in the foreign exchange market.

Exchange rate developments are monitored continuously both by the Government and the RBI and additional measures will be taken, as and when necessary, to counter excessive volatility in the exchange rate and to maintain orderly market conditions.

Import of Silk Fabrics

122. SHRI CHIMANBHAI HARIBHAI SHUKLA: Will the Minister of TEXTILES be pleased to state: